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19 April 1961

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CENTRAL INTELLIGENCE BULLETIN



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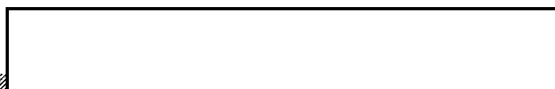
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USSR-Cuba-Laos: The first official Soviet pronouncements on the Cuban situation foreshadow a massive propaganda and diplomatic campaign to mobilize world opinion against the US and generate alarm over the consequences of the fighting in Cuba. While the Soviet leaders will not hesitate to make maximum political capital from Cuban developments, neither Khrushchev's letter to the President nor the official government statements goes beyond the general warning that "we will extend to the Cuban people and its government all the necessary aid for the repulse of the armed attack on Cuba." Khrushchev's letter, however, implicitly links the Cuban situation to Laos by warning that "in general it is impossible to carry on affairs in such a way that in one area the situation is settled and the fire is put out and in another area a new fire is lit." Although the Soviet leaders probably will be careful to avoid any commitments to specific counteraction in Cuba, Khrushchev's letter suggests that Moscow may continue to stall on cease-fire arrangements in Laos and may sanction increased military pressure against the Vientiane government. The Soviet Government statement, appealing to all UN members to "render all necessary aid" to Cuba and demanding that the UN General Assembly urgently study the "aggressive actions" of the US, was followed by the Soviet resolution along the same lines presented in the UN yesterday evening.

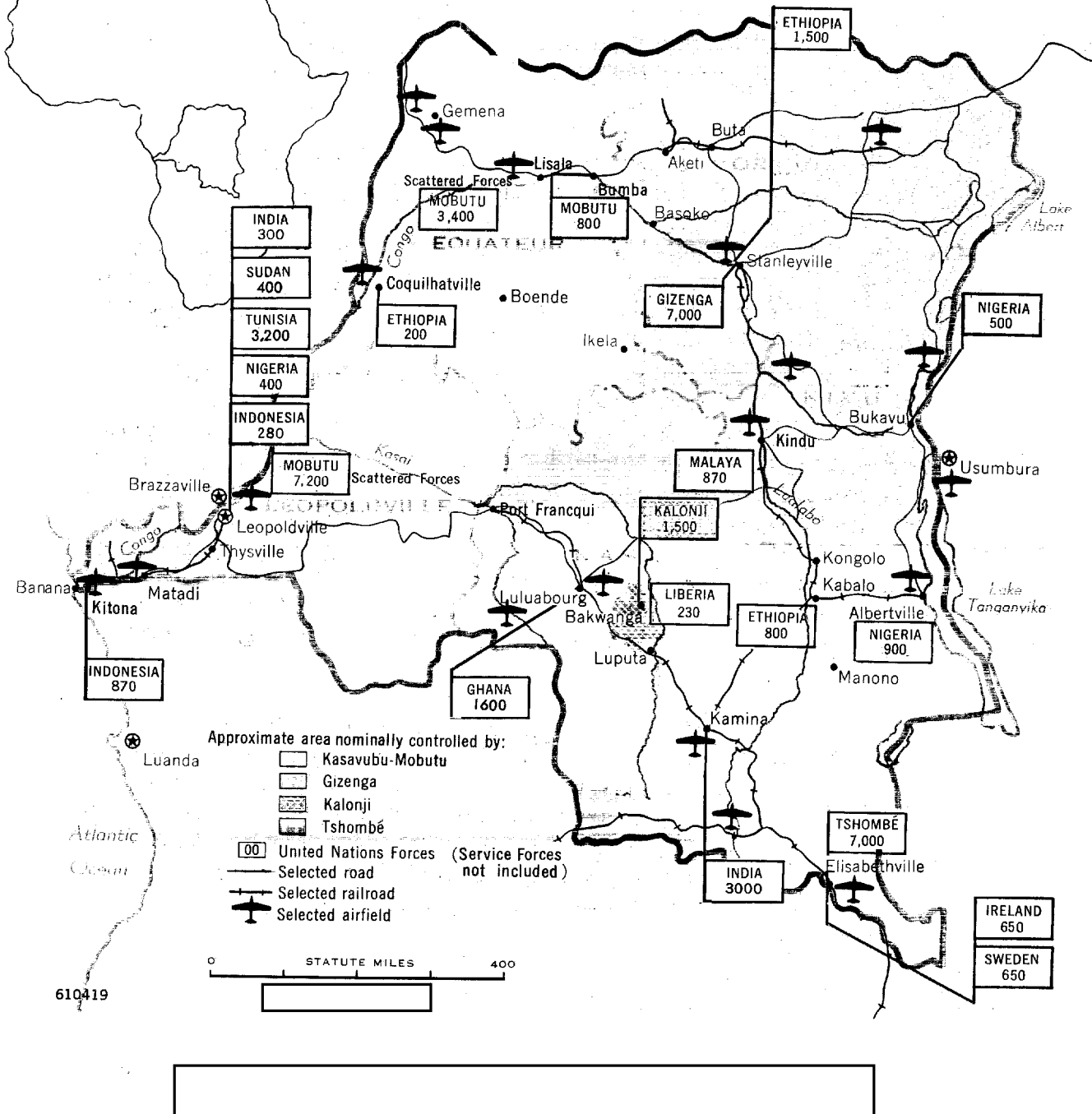
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Republic of the Congo



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Congo: Although President Kasavubu is still avoiding any commitment to allow re-entry of UN troops into Matadi, he declared his willingness on 17 April to cooperate with the UN and to permit a reorganization of the UN army under UN auspices. His agreement on reorganization of the army appears to have been made independently of Army Chief Joseph Mobutu. It appears likely that Mobutu will demand assurances that such a reorganization will not be used as a pretext for disarming the army. Mobutu claims to have re-established his authority over Gizenga's forces in Orientale Province.

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Yugoslavia: Belgrade is showing confidence in its ability to develop its domestic economy and to achieve greater public participation in achieving the regime's goals. The two most recent steps, the Third Five-Year Plan (1961-65) and a far-reaching economic reform, have the avowed purpose of reaching by 1965 a per capita income comparable to that of present-day Italy, i. e. , about \$575 per year. The initial adjustment to the

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reform, however, has not been as smooth as the regime had hoped, [and certain elements in the party are concerned that inflationary trends accompanying the reform may create public dissatisfaction.] In the political sphere, the regime has further demonstrated its confidence by releasing from jail Milovan Djilas, author of The New Class, and continuing to ease pressures on the Catholic Church. [redacted]

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Austria - Communist China: [The Austrian Government is again under pressure from business interests to consider recognizing Communist China. A delegation from the League of Austrian Industrialists reportedly has urged recognition on Foreign Minister Kreisky, who said that he personally favored such a move but that it would require time--perhaps half a year--to maneuver the government into position for it. Kreisky said he would raise the matter at a meeting of the new Gorbach cabinet. Kreisky has told Polish Foreign Minister Rapacki that there would be "no difficulty for Austria to recognize" Peiping but that Austria had not so far done so because of Washington's position] [redacted]

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NOTE: [The Department of State believes that Kreisky's personal attitude toward Communist China is well known, and feels it unlikely any change in Austrian policy will take place in the foreseeable future] [redacted]

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The Situation in the Congo

The 17 April claim by Congo Army headquarters that General Mobutu has reached agreement with the authorities in Orientale Province has yet to be confirmed by any spokesman for Gizenga. The position of the Leopoldville government relative to its rivals appears to have improved, however, as a result of the internal dissensions besetting the Gizenga and Tshombé regimes. In Stanleyville, the leader of one faction was briefly under arrest in mid-April for subversive activities; in Elisabethville, Tshombé's freedom of action has been limited both by factional rivalries among his subordinates and by diminishing popular support.

President Kasavubu's declaration of his willingness to cooperate with the UN contrasts with Tshombé's recent warnings against any reinforcement of UN troops in Katanga. That Kasavubu desires further to isolate Tshombé is suggested by a passage in his agreement with the UN calling for the expulsion of all foreign political and military functionaries hired by any agency other than the Kasavubu government.

As of 17 April, approximately 900 Indian troops had been airlifted from Tanganyika to Kamina base in Katanga. UN officials, however, have charged that Tshombé has revived efforts to boycott the UN in Katanga and to prevent it from purchasing food and other supplies.

On 14 April Albert Ndele, governor of the Congo National Bank, briefed foreign diplomats and businessmen on the financial condition of the Congo, which he described as grave. According to Ndele, governmental expenditures in the last half of 1960 exceeded income by US \$12 million per month. Ndele observed that falling imports had brought serious inflation, and charged various government agencies, particularly the Congo Army, with fiscal extravagance.

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Internal Developments in Yugoslavia

Yugoslavia's parliament convened on 18 April to approve the annual report of the Federal Executive Council (the cabinet) on economic development and the primary tasks to be faced in the coming year. While the report itself contains little of dramatic import, it comes at a time of significant change in Yugoslavia. On 1 January Belgrade announced that its Second Five-Year Plan (1957-61) had been completed one year early and that the third would be begun immediately.

The economic reform accompanying the new plan will bring Yugoslavia's foreign trade practices into closer accord with those of the West by lessening central government control over trade, unifying the exchange rate of its currency at 750 dinars to the dollar, and using simplified, direct tariffs. Belgrade hopes that these changes will increase foreign trade by 74 percent in the next five years. The reform also calls for further decentralization of Yugoslavia's political administration and economy. By vesting more power at the local level, the regime hopes to solve a problem which plagues all Communist regimes--how to stimulate individual initiative and industrial efficiency without endangering the regime's control.

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[] The reform has had unsettling domestic effects, [and as a result, some party officials fear that popular unrest may develop.] Retail prices for certain consumer goods have risen sharply, necessitating the extension of price controls. Under the new system, some industries have engaged in monopolistic practices, forcing up prices despite the regime's expectations to the contrary. Belgrade has not been able, moreover, to reduce controls on as many commodities as originally planned, because some of the Western aid--totaling \$275,000,000--supporting the reform is relatively short term, high interest, and restricted as to its use.

Yugoslavia is making ideological claims about the reform in an attempt to justify a program which some party cadres apparently consider non-Marxist. Moreover, these cadres may feel threatened by the regime's policy of emphasizing efficiency

rather than party loyalty. The front organization and the trade union federation have undertaken a campaign to win popular support and to ensure compliance with the reform by local economic functionaries. In addition, Yugoslav courts have begun handing out jail sentences in cases involving economic malfeasance by executives.

In order to reflect more accurately the extent to which the Yugoslav system has been decentralized and "democratized"--i. e., more persons involved in the processes of administration--a new constitution is being written which will institutionalize current practices. Avowedly, it will also broaden civil rights and, perhaps, attempt to provide a mechanism which would ease the transfer of power after Tito's death.

Djilas was released after serving only four years of his ten-year jail sentence for "hostile propaganda"; he is not being subjected to normal parole restrictions. Djilas hopes to publish in Yugoslavia some of the five books he wrote while in prison and expects to resume a significant role in Yugoslav politics, although the latter seems unlikely during Tito's lifetime.

Similarly, Belgrade has moved since the death of Cardinal Stepinac in February 1960 to improve its relations with the Catholic Church; a working relationship has already been reached with the Moslem and Orthodox Church communities. Although progress has been made, a disagreement over appointment of an apostolic delegate, who the regime insists must be a Yugoslav citizen, has not been resolved.

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[REDACTED]

Pressure in Austria for Recognizing Communist China

[In its session with the foreign minister, the delegation from the League of Austrian Industrialists argued that Austria should recognize Communist China before the US did, in order to avoid giving the impression that Austria was an American satellite. Kreisky, one of the prominent Socialist members of the coalition cabinet, replied that he could not move alone in the matter because his political enemies, particularly in the coalition People's party, were jealous of his growing prestige and would label him a Communist. He said that the Socialist party in general favors recognition because of its interest in developing the country's nationalized industries. Kreisky also told the delegates that in 1958 he had changed Austria's position in the UN from one of supporting the moratorium on Chinese UN representation to one of abstention on the issue, and that Austria's future attitude would depend on circumstances in the next General Assembly.]

[In the first ten months of 1960 Austrian imports from Communist China were worth \$5,200,000, practically double what they were for the same period in 1959. Exports, however, remained at about the same level, around \$11,000,000 in each period. Austrian businessmen have frequently complained that lack of political ties is hurting Austria's export trade. Austria's trade with Communist China makes up about 13 percent of its total trade with the bloc. Austria has no diplomatic, consular, or commercial representation in either Nationalist or Communist China. A trade commissioner resident in Hong Kong handles Austria's trade matters in the area.]

[Kreisky, in telling US Ambassador Matthews about his discussions with Polish Foreign Minister Rapacki during his visit to Vienna from 8 to 11 March, implied that establishing Austrian diplomatic relations with Communist China was mainly a matter of time. Kreisky said he had turned down Rapacki's offer of mediation because of the domestic political situation, adding that the USSR had made a similar offer but that he prefers the mediation of a neutral like Switzerland which already has an embassy in Peiping.]

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The Director of Naval Intelligence, Department of Navy

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